



Memorandum

Date: 01.09.14 **RE:** Finance Committee
January 14, 2014

To: Finance Committee: Commissioners Cohen (Chair), Wiener (Vice Chair), Chiu, Farrell, Tang and Avalos (Ex Officio)

From: Cynthia Fong – Deputy Director for Finance and Administration *CF*

Through: Tilly Chang – Executive Director *TC*

Subject: **ACTION** – Recommend Authorizing the Executive Director to Execute an Amendment to the Memorandum of Agreement with Treasure Island Development Authority for the I-80/Yerba Buena Island Interchange Improvement Project to Defer the Initial Loan Payment by One Year and Restructured the Repayment Schedule While Maintaining the Deadline for Full Repayment of the Loan by December 31, 2016

Summary

We are working jointly with the Treasure Island Development Authority (TIDA) on the development of the I-80/Yerba Buena Island (YBI) Ramps Improvement Project and YBI Bridge Structures (collectively known as the I-80/YBI Interchange Improvement Project). In July 2008, the Transportation Authority and TIDA entered into a Memorandum of Agreement (MOA) for project management and oversight, engineering and environmental services for the YBI Interchange Improvement Project). In July 2013, through Resolution 14-01, the Transportation Authority amended the MOA for a fifth time to increase the authorized amount for the non-federal portion to a loan obligation amount not to exceed \$11,037,000, and a total non-federal and federal loan obligation amount to \$18,830,000, to complete preliminary engineering and design for the YBI Interchange Improvement Project, and established the schedule for full repayment of the loan by December 31, 2016 over a four-year period. Due to delays in transferring the land from the US Navy to TIDA, TIDA has requested and we have agreed to recommend deferral of the first payment date to the later of December 31, 2014 or 30 days after the first close of escrow for transfer of former Naval Station Treasure Island from the US Navy to TIDA, and restructure the payment schedule from a four-year period to a three-year period. The restructured repayment schedule would reduce the number of payments from four annual payments to three, and maintain the current deadline for full repayment of the loan by December 31, 2016. **We are seeking a recommendation to authorize the Executive Director to execute an amendment to the MOA with TIDA for the I-80/YBI Interchange Improvement Project to defer the initial loan payment by one year and restructure the repayment schedule while maintaining the deadline for full repayment of the loan by December 31, 2016.**

BACKGROUND

We are working jointly with the Treasure Island Development Authority (TIDA) on the development of the I-80/Yerba Buena Island (YBI) Interchange Improvement Project. TIDA asked the Transportation Authority, in its capacity as the Congestion Management Agency, to lead the effort to prepare and obtain approval for all required technical documentation for the I-80/YBI Interchange Improvement Project because of our expertise in funding and interacting with the California Department of Transportation (Caltrans) on design aspects of the project. The scope of the I-80/YBI Interchange Improvement Project includes two major components: 1) The YBI Ramps Improvement Project (Project), which includes constructing new westbound on and off ramps (on the east side of YBI) to the new Eastern Span of the San Francisco-Oakland Bay Bridge (SFOBB); and 2) seismic retrofit of the

existing YBI Bridge Structures on the west side of the island a critical component of island traffic circulation leading to and from SFOBB.

Over the last five years, the Transportation Authority project team has worked closely with Caltrans on all aspects of the project development process. The Final Environmental Impact Report/Environmental Impact Statement, with Caltrans as the National Environmental Policy Act lead agency under delegation from the Federal Highway Administration and the Transportation Authority as the California Environmental Quality Act lead agency, was approved in December 2011. The Transportation Authority also completed the Plans, Specifications and Estimates and right of way certification efforts for the project in March 2013. A \$77.5-million construction phase funding request, consisting of a combination of Federal Highway Bridge Program funds and State Proposition 1B Seismic Retrofit funds, for the YBI Ramps Improvement Project was approved in July 2013.

In July 2008, the Transportation Authority and TIDA entered into a Memorandum of Agreement (MOA) for project management and oversight, engineering and environmental services for the YBI Interchange Improvement Project. In July 2013, through Resolution 14-01, the Transportation Authority amended the MOA for a fifth time to increase the authorized amount for the non-federal portion to a loan obligation amount not to exceed \$11,037,000, and a total non-federal and federal loan obligation amount to \$18,830,000, to complete preliminary engineering and design for the YBI Interchange Improvement Project, and established the schedule for full repayment of the loan by December 31, 2016 over a four-year period.

Due to delays in transferring the land from the US Navy to TIDA, TIDA has requested modifications to the loan agreement. The purpose of this memorandum is to describe the proposed changes to our Environmental MOA with TIDA and to seek a recommendation to authorize the Executive Director to execute the proposed amendment.

DISCUSSION

YBI Project MOA: Under the terms of the MOA, TIDA's total loan obligation amount to the Transportation Authority for the non-federal portion is \$11,037,000.

TIDA is responsible for reimbursing the Transportation Authority for all project costs, including accrued interest on TIDA's loan obligation of Prop K funds and any and all costs not covered by state or federal funds. The first annual installment payment of 25% of total outstanding amount was due to the Transportation Authority the earlier of December 31, 2013 or thirty (30) days after the first close of escrow for transfer of the former Naval Station Treasure Island (NSTI) from TIDA to Treasure Island Community Development, LLC (TICD), the master developer for NSTI.

Proposed YBI Project MOA Modifications: TIDA is requesting a revision to the loan repayment terms of the YBI loan due to the land transfer delay of the NSTI which is now anticipated to occur this fall.

TIDA and the Navy are finalizing the terms of the Economic Development Conveyance Memorandum of Agreement (EDC MOA) which establishes the framework under which the transfers from the Navy to TIDA will occur. Prior to the transfer, the Navy must prepare a Finding of Suitability to Transfer documenting that all appropriate and required environmental remediation measures have been completed on the properties to be included in the initial transfer. The draft EDC MOA anticipates that the initial property transfer will occur on October 30, 2014.

Despite this delay in land transfer, TIDA is moving forward with plans for the first phase of development, including preparing Requests for Proposals for engineering services to develop the First Major Phase and Sub-Phase Applications necessary to initiate development upon transfer of the land.

The preparation of the Phase and Sub-Phase applications represents a significant investment by TICD in the process of redeveloping Treasure Island. In recognition of the current schedule for the first transfer of NSTI from the Navy and the investments to prepare the First Major Phase and Sub-Phase Applications, TICD has requested, and TIDA staff supports, modifying the schedule for repayment of the loan for the YBI Ramps Project to align with the current development schedule and program cashflow requirements.

The proposed amendment would defer the initial loan payment by one year, with the new initial payment date being the later of December 31, 2014 or thirty (30) days after the first close of escrow for transfer of NSTI from the Navy to TIDA. The restructured repayment schedule would increase the amount of that first payment from 25% to 50% of the loan amount, reduce the number of payments from four annual payments to three, and maintain the current deadline for full repayment of the loan by December 31, 2016.

We are seeking a recommendation to authorize the Executive Director to execute an amendment to the MOA with TIDA for the I-80/YBI Interchange Improvement Project to defer the initial loan payment by one year and restructure the repayment schedule while maintaining the deadline for full repayment of the loan by December 31, 2016.

ALTERNATIVES

1. Recommend authorizing the Executive Director to execute an amendment to the MOA with TIDA for the I-80/YBI Interchange Improvement Project to defer the initial loan payment by one year and restructure the repayment schedule while maintaining the deadline for full repayment of the loan by December 31, 2016, as requested.
2. Recommend authorizing the Executive Director to execute an amendment to the MOA with TIDA for the I-80/YBI Interchange Improvement Project to defer the initial loan payment by one year and restructure the repayment schedule while maintaining the deadline for full repayment of the loan by December 31, 2016, with modifications.
3. Defer action, pending additional information or further staff analysis.

CAC POSITION

Due to the year-end holidays, the Citizens Advisory Committee does not meet in late December and therefore, did not take a position on this item.

FINANCIAL IMPACTS

TIDA is responsible for reimbursing the Transportation Authority for all Project costs and accrued interest, less state or federal government reimbursements to the Transportation Authority. Interest will accrue on all outstanding unreimbursed Project costs until TIDA and state or federal agencies fully reimburse the Transportation Authority for all costs related to the Project. In addition, for any Project costs to be reimbursed by a state or federal agency, TIDA will pay interest on the applicable Project costs until the Transportation Authority receives reimbursement from the state or federal agency. If the federal grant funds do not become available for some or all of the Project costs, or if the federal agency disallows the Transportation Authority's reimbursement claims on some or all of the Project costs, then TIDA bears the responsibility to repay the Transportation Authority for all costs incurred on the YBI Ramps Improvement Project. The deferral of project expenditures and the first year loan repayment is estimated at \$2,611,733 and will be included in the Transportation Authority's Fiscal Year 2013/14 mid-

year budget amendment. Project expenditures and loan repayment amounts for subsequent years will be included in future fiscal year budgets. As of December 31, 2013, TIDA has drawn down an estimated of \$10,021,261 of the \$11,037,000 loan and accrued \$425,672 in interest costs.

RECOMMENDATION

Recommend authorizing the Executive Director to execute an amendment to the MOA with TIDA for the I-80/YBI Interchange Improvement Project to defer the initial loan payment by one year and restructure the repayment schedule while maintaining the deadline for full repayment of the loan by December 31, 2016.